

AR36

Kippen & Company Inc.

MONTREAL
1155 Dorchester Blvd. W.
866-5761

INVESTMENT RESEARCH

TORONTO
Toronto-Dominion Centre
368-2932

OCT. 29, 1970

MANAGEMENT INTERVIEW

P R O V I G O

Recent Price \$ 4.75

1970 Price Range \$ 7.50 - \$ 4.50

Earnings/Share Fiscal 1971 \$ 0.49

Indicated Annual Dividend \$ 0.16

SUMMARY : Provigo, formerly Couvrette & Provost Ltee, is the result of last year's merger of Couvrette & Provost, Denault Ltee and Lamontagne Ltee, three Quebec-based food wholesalers. The current year ending January 31, 1971 will be the first full year of operations for the new company and recently released results for the 28 weeks ended August 15, 1970 show sales up 4% to \$ 115.1 million from \$ 110.7 million last year. Net income for the same period was 26.6¢ per share against 26.4¢. For the full year we anticipate sales will approximate \$ 212 million up from \$ 202.4 million and we estimate net income will equal \$ 1.8 million or 49¢ per share vs \$ 1,669,000 (45¢) last year. The rather modest 5% projected sales gain reflects the elimination of some \$ 7 - \$ 10 million in relatively unprofitable sales to low-volume customers.

We believe the following year ending January 31, 1972 will show much improvement in terms of sales growth and earnings, and tentatively estimate sales of \$ 230 - \$ 235 million and net income equal to 55¢ per share.

At the current level of \$ 4.75, the shares appear to offer modest capital appreciation potential over the next 12 months - perhaps to the \$ 6.00-\$6.50 area.

OPERATIONS: In our opinion the rationale of the merger was good in terms of a) trying to achieve a greater penetration of the Quebec market while eliminating areas of overlap, and b) attempting to achieve greater operating efficiencies by eliminating serious duplication.

Specifically, the new company's buying power has been greatly enhanced which will result in a wider range of volume discounts. This in turn has made possible the introduction of a private brand program under the Provigo label which, as the program escalates over the next 12 months, should help to build store and brand allegiance. The company also has 5 computer operations which will be centralized, a new uniform accounting system has been set up and administrative functions are being centralized in Montreal. Further savings can also be achieved in advertising as the independent chains, which the Provigo group supplies, are rationalized.

page 2.....

10/10/1919

Dear Sir,

I have the pleasure to acknowledge the receipt of your letter of the 10th inst. in relation to the matter mentioned therein. I am sorry that I cannot give you a more definite answer at this time, but I am sure that you will understand the necessity of this delay. I am sure that you will be satisfied with the result.

I am, Sir, very respectfully,
Yours truly,
J. H. [Signature]

Very truly yours,
J. H. [Signature]

I am, Sir, very respectfully,
Yours truly,
J. H. [Signature]

I am, Sir, very respectfully,
Yours truly,
J. H. [Signature]

Competition at the retail level has intensified, particularly in the Montreal area where Steinbergs introduced Miracle Prices. Provigo countered with 2 major initiatives: 1) Several months ago the company introduced a new pricing formula in order to enable the independents they supply to lower prices at the retail level: 2) The company is opening a group of retail stores under the name Aux Vraies Aubaines. Four will have been opened before Christmas, all providing low prices with minimal service. (Customers select items from large boxes and price the item themselves before proceeding to the cashier).

Labour and other overhead expenses of the retail stores are low and shrinkage has not yet proved the problem some suggested it might become. Sales from each of these outlets should easily exceed \$ 2 million per year and may contribute 2¢ or 3¢ per share, in aggregate, to net earnings next year.

It is important to note that a recently signed labour agreement retro-active to September 11, 1970 provides for an estimated 8-9% wage increase, substantially less than that being settled for in Ontario earlier this year by Steinbergs and Dominion Stores.

KIPPEN & COMPANY INC.
RESEARCH DEPARTMENT

PL/JB/jm
October 29, 1970
70-44

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provigo


PROVIGO INC.

(FORMERLY COUVRETTE & PROVOST LTÉE)

PRELIMINARY REPORT

to shareholders for the 52-week period ended January 30, 1971.

Hereunder is our report for the fiscal year ended January 30, 1971. These results are supplied as a preliminary statement pending issuance of the Annual Report.

Considering the competitive climate that has prevailed during the last financial year, these results are satisfactory. Your Directors consider that this last fiscal period devoted to consolidation and planning has resulted in the establishment of a solid foundation for future expansion: change of name to Provigo Inc., integration of operations, development of a successful private brand program under the "Provigo" name, expansion of the warehouse discount food market division, implementation of new merchandising programs for our affiliated members.

Our shareholders will receive a duly audited Annual Report in early May as well as a notice of the Annual Meeting which will take place at Montreal May 27, 1971.

PROVIGO INC.

ANTOINE TURMEL
Chairman of the Board

RENÉ PROVOST
President

Montreal, April 13, 1971.

CONSOLIDATED STATEMENT OF EARNINGS

	1971 52 weeks ended January 30	1970 52 weeks ended January 31* (unaudited)	Increase %
Sales	\$209,035,000	\$202,366,000	3.3%
Earnings before merger costs depreciation and income taxes	4,514,000	4,303,000	4.9%
Costs related to exchange of stock of Denault Limitée and Lamontagne Limitée	—	91,000	—
Depreciation	864,000	685,000	26.1%
Income taxes	1,975,000	1,888,000	4.6%
Net earnings	1,675,000	1,639,000	2.2%
Net earnings per share	45.0¢	44.0¢	2.3%
Shares outstanding at year end	3,726,322	3,722,578	0.1%

* After prior years' adjustments for income taxes.
* The operation results for the year 1970 are based on the financial year pro forma of 52 weeks ending January 31, 1970 (unaudited).



PROVIGO INC.
(AUTREFOIS COUVRETTE & PROVOST LTÉE)

RAPPORT PRÉLIMINAIRE

aux actionnaires pour l'exercice de 52 semaines terminé le 30 janvier, 1971.

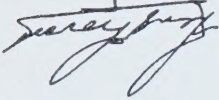
Nous vous transmettons ce rapport pour l'exercice terminé le 30 janvier 1971. Ces résultats vous sont transmis en intérêt du rapport annuel.

Compte tenu de la vive concurrence qui a prévalu durant ce dernier exercice, les résultats d'opération sont satisfaisants. Les administrateurs de votre compagnie considèrent que cette dernière année financière, qui en fut une de planification et de consolidation, a permis d'établir des bases solides pour le développement de votre compagnie: changement de nom, intégration d'opération, développement d'un programme de produits de marque privée "Provigo", expansion des marchés d'entrepôt à escompte, nouvelles formules de mise en marché pour les membres affiliés.

Nos actionnaires recevront au début du mois de mai le rapport annuel et les états financiers vérifiés de 1971, ainsi que l'avis de convocation à l'assemblée annuelle qui aura lieu à Montréal, le 27 mai, 1971.

PROVIGO INC.


ANTOINE TURMEL
Président du Conseil d'Administration


RENÉ PROVOST
Président

Montréal, 13 avril 1971

ÉTAT CONSOLIDÉ DES BÉNÉFICES

	52 semaines terminées le 30 janvier 1971	52 semaines terminées le 31 janvier (non vérifié) 1970	Augmentation %
Ventes	\$209,035,000	\$202,366,000	3.3%
Bénéfice avant frais relatifs à l'échange d'ac- tions amortissements et impôts sur le revenu	4,514,000	4,303,000	4.9%
Frais relatifs à l'échange d'actions de Denault Limitée et Lamontagne Limitée	—	91,000	—
Amortissement	864,000	685,000	26.1%
Impôts sur le revenu	1,975,000	1,888,000	4.6%
Bénéfice net	1,675,000	1,639,000	2.2%
Bénéfice net par action	45.0¢	44.0¢	2.3%
Actions en cours à la fin de l'exercice	3,726,322	3,722,578	0.1%
* Après redressements d'impôts sur le revenu des années antérieures.			
* Les résultats d'opération pour l'année 1970 sont basés sur l'année financière pro forma de 52 semaines, terminée le 31 janvier 1970 (non vérifiés).			



GERARD CÔTÉ & ASSOCIATES

advertising agency • sales promotion • printing

April 19, 1971.

Financial Editor,
THE GLOBE & MAIL,
140 King St. West
Toronto, Ont.

CV

Dear Sir,

Herewith the Preliminary Report of PROVIGO INC.
to shareholders for the 52-week period ended January 30,
1971 which has just been released.

On behalf of Provigo Inc. and myself, it would be
highly appreciated if you could comment or publish the
main features of this report in the financial columns of
the Globe and Mail.

Many thanks for your kind collaboration in this
instance.

Cordially,

Gerard Côté

GERARD CÔTÉ
President

eel/
Encl.



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provigo*Lead Company*
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siège social/head office

Montreal, October 12th 1972.

Consolidated Interim Report for the 28-week period ended August 12, 1972.

TO OUR SHAREHOLDERS:

On behalf of the Board of Directors, we are pleased to submit the financial results for the first twenty-eight weeks of fiscal year 1972-1973. These results confirm the pattern of growth in sales as well as earnings established during our last financial year.

Sales have increased by 11.5% reaching \$132,213,000 compared to \$118,611,000 for 1971. Net income from operations was \$1,573,000 equivalent to 42.1¢ per share representing a 34.0% increase over last year comparative figures of \$1,174,000 or 31.5¢ per share. Net income, after extraordinary gains of \$163,000, totalled \$1,736,000 or 46.5¢ per share.

A few weeks ago Provigo Inc. signed an agreement with the common shareholders of Les Aubaines Alimentaires Ltée, to purchase all the common shares outstanding. Les Aubaines Alimentaires Ltée operates four supermarkets; two of which are located in Trois-Rivières, one in Cap-de-la-Madeleine and one in Grand'Mère. The company with an annual volume of \$12,000,000 is the largest food retailer in the Trois-Rivières area. This acquisition is in line with the expansion policy of your Company and the transaction should be completed in the next few weeks.

The 11th AVA Warehouse Food Market, located in the City of Saint-Léonard, is scheduled to commence operations at the beginning of November.

At their last meeting, the Directors of the Company have increased the quarterly dividend from 5¢ to 6¢ per share, corresponding to an annual dividend of 24¢. The first dividend at this new rate will be paid January 3, 1973.

Prospects for the balance of the financial year are encouraging and we expect the actual trend to continue during the last two quarters.

ANTOINE TURMEL
Chairman of the Board

RENE PROVOST
President

PROVIGO INC.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972 28 weeks Ended <u>August 12</u>	1971 28 weeks Ended <u>August 14</u>
SOURCE OF FUNDS		
Operations		
Net income.	\$1,736,000	\$1,174,000
Depreciation.	513,000	459,000
Amortization of financing expenses and discount on long-term debt.	<u>18,000</u>	<u>18,000</u>
Funds from operations.	2,267,000	1,651,000
Refund of advances to associated companies	3,000	33,000
Decrease in other investments	2,000	20,000
Sale of fixed assets.	428,000	128,000
Increase of long-term debt.	-	5,000,000
Issue of common shares.	35,000	6,000
Miscellaneous	<u>-</u>	<u>58,000</u>
	<u>2,735,000</u>	<u>6,896,000</u>
APPLICATION OF FUNDS		
Increase in loans and mortgages receivable.	2,000	408,000
Increase in cash surrender value life insurance.	17,000	-
Purchase of fixed assets.	1,371,000	808,000
Increase in financing expenses and discount on long-term debt.	-	142,000
Increase in excess of cost of subsidiaries.	16,000	13,000
Increase in deferred income taxes .	17,000	-
Refund of long-term debts	291,000	373,000
Dividends declared.	<u>374,000</u>	<u>447,000</u>
	<u>2,088,000</u>	<u>2,191,000</u>
NET INCREASE.	647,000	4,705,000
WORKING CAPITAL at beginning of year. .	<u>8,638,000</u>	<u>3,440,000</u>
WORKING CAPITAL at end of the period. .	<u>\$9,285,000</u>	<u>\$8,145,000</u>

PROVIGO INC.

CONSOLIDATED STATEMENT OF EARNINGS
(unaudited)

	1972 28 weeks ended August 12	1971 28 weeks ended August 14	Increase %
Sales	\$132,213,000	\$118,611,000	11.5
Income before depreciation, income taxes and extraordinary items	3,559,000	3,042,000	17.0
Depreciation	513,000	459,000	11.8
Income taxes	1,473,000	1,409,000	4.5
Income before extraordinary items .	1,573,000	1,174,000	34.0
Extraordinary items - Recovery of income taxes as a result of the carry-forward of losses of prior years of a subsidiary and gains on sale of fixed assets	163,000	-	-
Net income	1,736,000	1,174,000	47.9
Earnings per share:			
Before extraordinary items	42.1¢	31.5¢	33.6
After extraordinary items	46.5¢	31.5¢	47.6
Shares outstanding	3,735,872	3,728,622	0.2

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PROVIGO

Provigo Inc. / Annual Report 1972

Annual Report 1972

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The Annual General Meeting of Shareholders will be held in Salon No. 4, on the fifth floor of the Commerce House, 1080 Beaver Hall Hill in Montreal, on Thursday, the 25th day of May 1972, at 10:30 a.m.



Vous pouvez obtenir la version française de ce rapport en vous adressant au Secrétaire, Provigo Inc., 800 ouest, boulevard Dorchester, Montréal 101, Québec.

Board of Directors

Marcel Bélanger, C.A.
Pierre Bergeron, LL.L.
Bernard Couvrette, Q.C.
Jacques Couvrette
The Hon. Paul Desruisseaux, Q.C.
Dominik Dlouhy
Claude Genest
H.N.R. Jackman, L.L.B.
Jacques Lagassé, N.P.
*Jean-Louis Lamontagne
Robert Lamontagne, N.P.
J. P. W. Ostiguy
Ernest Provost
*René Provost
*Roland Provost
*Gaston Roy
Guy Tremblay, LL.L.
*J. A. Tremblay
*Antoine Turmel
George Vilim

*Member of the Executive Committee

Officers

Antoine Turmel, *chairman of the board
and chief executive officer*
René Provost, *president
and general manager*
Jean-Louis Lamontagne, *1st vice-president*
J. A. Tremblay, *2nd vice-president*
Jacques Couvrette, *vice-president,
Presto cash & carry division*
Pierre H. Lessard, C.A., *vice-president,
finance and administration, and treasurer*
Alfred Martel, *vice-president, sales*
Ernest Provost, *vice-president,
warehousing and traffic*
Roland Provost, *vice-president,
institutional division*
Gaston Roy, *vice-president, marketing*
Gérard Carrière, *secretary*
Jean Jutras, *data processing director*

Banks

Provincial Bank of Canada
Bank Canadian National

Auditors

Clarkson, Gordon & Co.

Trustee

General Trust of Canada

Registrars and Transfer Agents

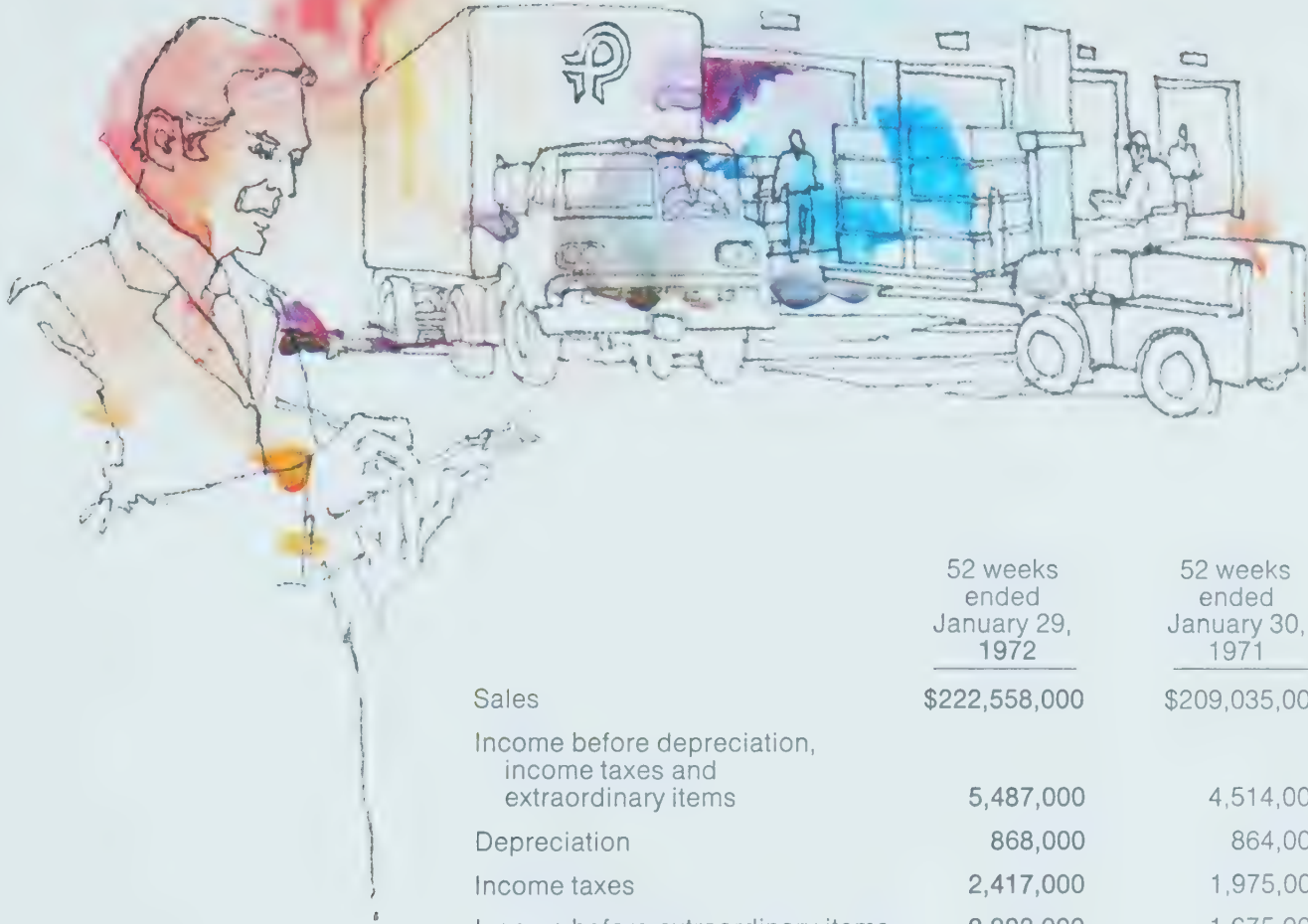
General Trust of Canada,
Montreal

Guaranty Trust,
Toronto

Head Office

Provigo Inc.
800 Dorchester Boulevard West,
Montreal 101, Quebec

Financial Highlights



	52 weeks ended January 29, 1972	52 weeks ended January 30, 1971	Increase in percentage
Sales	\$222,558,000	\$209,035,000	6.4%
Income before depreciation, income taxes and extraordinary items	5,487,000	4,514,000	21.5%
Depreciation	868,000	864,000	0.5%
Income taxes	2,417,000	1,975,000	22.4%
Income before extraordinary items	2,202,000	1,675,000	31.5%
Extraordinary items	262,000	—	—
Net income	2,464,000	1,675,000	47.1%
Earnings per share			
Before extraordinary items	59¢	45¢	31.1%
After extraordinary items	66¢	45¢	46.8%
Shares outstanding at year end	3,730,872	3,726,322	0.1%



Report to the Shareholders

On behalf of the Board of Directors, we are pleased to submit the 10th Annual Report of your Company's operations for the fiscal year ended January 29, 1972.

Substantial increases in sales and net income were achieved, largely as a result of the consolidation of various operations and the reorganization of the Company's structure undertaken in the last two years. We indicated in the 1971 report that the Company and its operations were undergoing an intensive analysis by management aimed at improving efficiency and productivity. The new merchandising and expansion programs which evolved were implemented on schedule, and we are pleased to report that each one of the Company's divisions met its newly defined objectives and attained higher performance levels.

Detailed financial statements and additional information concerning the year ended January 29, 1972, are presented on the following pages.

RESULTS OF OPERATIONS

Sales

Sales reached record levels of \$222,558,000, 6.4% higher than 1971 revenues of \$209,035,000. It is worth noting that sales grew 10.7% during the last 24 weeks of the year, as compared to a 3% increase in the first 28 weeks of operations.

Net Earnings

For the first time in the Company's history, operating income before depreciation and income taxes exceeded the \$5 million mark, amounting to \$5,487,000, as compared to \$4,514,000 for the previous year. After income taxes, profits from operations increased 31.5% to a new high of \$2,202,000, equivalent to 59¢ per share; comparative results for 1971 were \$1,675,000 and 45¢ per share. Extraordinary gains of \$262,000 resulting from the sale of Primes Régál Inc. and the recovery of income taxes based on the carry-forward of losses in prior years of a subsidiary, raised net income 46.8% to \$2,464,000 or 66¢ per share.

Dividends

The quarterly dividend was raised from 4¢ to 5¢ per share. The first payment at the new rate in January 1972, represented the Company's forty-second consecutive quarterly dividend. Total dividends paid to the Company's 2,063 shareholders amounted to \$633,000 in fiscal 1972, as compared to \$596,000 for the previous year.

Financial

The repayment of certain long-term debts and the Company's development programs created the need for additional long-term financing. In July 1971, Provigo issued \$3,000,000 of 8¼% serial debentures, maturing as to \$375,000 on July 15 in each of the years 1974 to 1981, and \$2,000,000 9½% debentures, series B, maturing July 15, 1991 with a sinking fund of \$160,000 in each of the years 1982 to 1990.

As a result of this financing, your Company's liquidity position has been improved significantly. Now, as Provigo enters a period of accelerated growth, working capital stands at \$8,638,000, as compared to \$3,378,000 for the preceding fiscal year.

Capital expenditures totalled \$1,660,000, while depreciation costs amounted to \$868,000. Capital expenditures in excess of \$2,500,000 have been anticipated in our current budget.

These results, achieved during a period of intense competition and economic uncertainty, rank among the best reported by companies in the food distribution industry. While they are very satisfying, they also point to another year of progress.

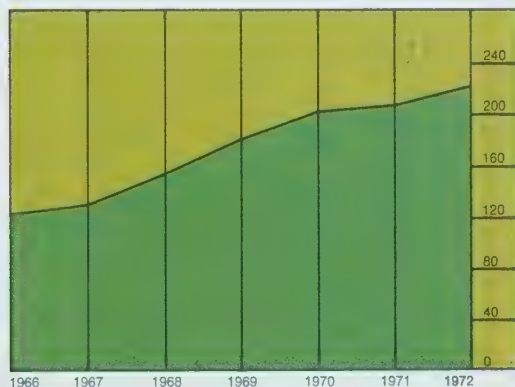
REVIEW OF ACTIVITIES

Reorganization and Consolidation

Pursuant to our examination of operations, it was decided to sell or close certain operating units which fell short of our criteria for minimum profitability. In the last fiscal year,

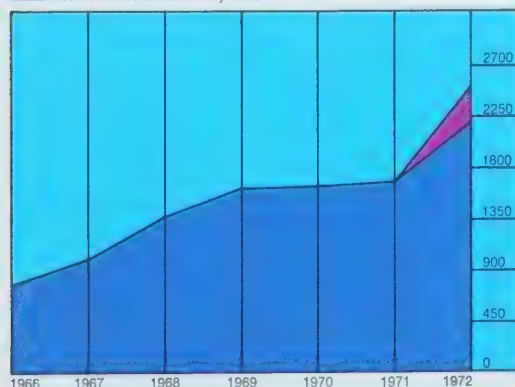
— Primes Régál Inc., a premium stamp subsidiary was sold to another company in the same field that will continue these services to Provigo's affiliated members;

SALES
(in millions of dollars)



NET INCOME
(in thousands of dollars)

Extraordinary Items
Income Before Extraordinary Items





- Two fresh fruit and vegetable wholesale operations were terminated;
- Two retail food stores and one cash and carry depot were closed;
- Several buildings and equipment no longer in use, because of the integration of operations within the same area, were disposed of.

To further improve Provigo's operational effectiveness, a structural reorganization eliminated certain companies whose activities were then realigned and merged with the organization.

The changes are summarized as follows:

- Les Epicerie Presto Ltée, Provigo (Mauricie) Inc., Laviolette & Brosseau Inc. and Provost & Provost (1961) Ltée were merged to form Provigo (Montreal) Inc., which also acquired all the net assets used in the Montreal food wholesaling operations of Provigo Inc.
- Provigo (Sherbrooke) Inc., Provigo (Saint-Hyacinthe) Inc., Provigo (Victoriaville) Inc. and Provigo (Thetford Mines) Inc., were merged to form Provigo (Sherbrooke) Inc., with each of these concerns continuing to operate as a regional division of Provigo (Sherbrooke) Inc.

A chart on page 16 describes the Provigo group and its various sectors of operations.

As a result of these modifications, Provigo Inc. now operates as a holding company. In February 1972, the head office and executive offices were moved to 800 Dorchester Boulevard West, Montreal. During the past fiscal year, Mr. Pierre H. Lessard, C.A., was appointed Vice-President, Finance and Administration.

Affiliated stores

An important turning point for our affiliated retailers was reached in 1971. Provigo implemented several merchandising and cost control programs designed to strengthen the position of its voluntary groups. Strong consumer acceptance of our newly introduced "Provigo" brand products proved to be a very effective

merchandising tool for the retailers. Our private label now appears on 137 different items and we plan to offer 250 private brand items by the end of 1972. The quality and price features of these products allow the affiliated members to compete effectively with the corporate chains and yet maintain their gross margins.

Plans for a corporate identification for all our voluntary groups are on the verge of completion. Our affiliated members, presently operating under 19 different banners, will regroup into four major voluntary groups, with each one being active throughout the territory served by Provigo. We anticipate that the establishment of this type of unified identification will contribute significantly to the progress and prosperity of the affiliates.

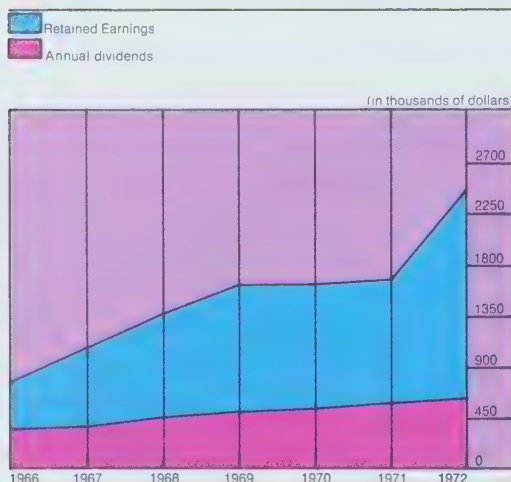
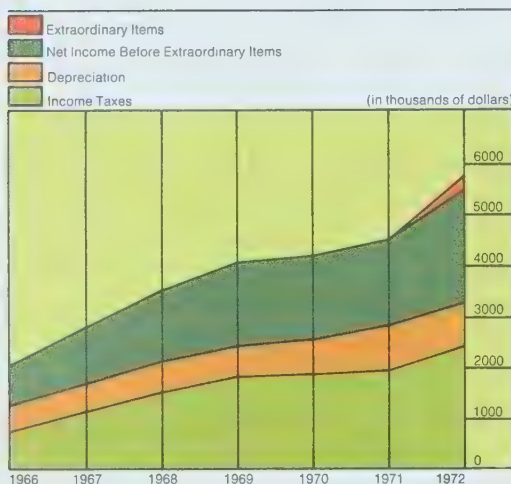
Development

The development of certain activities which offer the company above average potential for increased sales and profitability received continued emphasis.

AVA Warehouse Markets

In the course of the past year, four "Aux Vraies Aubaines" markets were opened in Laflèche, LaSalle, Saint-Jean, and, Ville Vanier in the Quebec City area. Through a subsidiary Provigo now operates 8 warehouse food markets. This concept of food discounting has been exceptionally well accepted by the consumer. The encouraging performance of the existing units have convinced us to pursue the expansion of this program.

A minimum of 5 new AVA warehouse markets have been planned for 1972-1973. Two are presently under construction: one is located in Ville Saint-Laurent, and should commence operations in May 1972; the other, in Granby, should open in June 1972. The remaining warehouse markets are scheduled for the fall and will be located principally in the Montreal area. Most of these warehouse markets will, moreover, be located in shopping centres, primarily made up of non-food discount retailers, offering the budget-minded a total discount shopping opportunity.





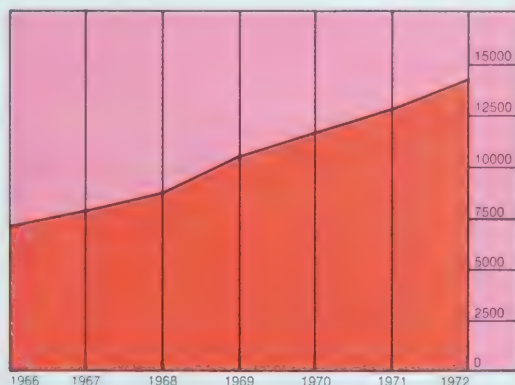
Institutional Division

Institutions represent a growing proportion of the food market and we intend to accelerate the development of our sales and distribution to this area. Provigo (Montreal) Inc., through its institutional division, aims to expand its share of this very promising market. To this end, this division moved to a new distribution centre in Ville d'Anjou in July 1971. To date, the increase in institutional sales has been most encouraging. Along with the contribution of the 28 Presto Cash and Carry depots, we are optimistic as to the development of the market potential in the institutional area.

them for their contribution as members of the Board of Directors.

We wish to express our sincere appreciation to all Company personnel for their dedicated and efficient service, to our customers for their constant support, and to our shareholders for their continued confidence.

SHAREHOLDERS' EQUITY
(in thousands of dollars)



Frozen foods

Our activity in this area, which is presently undergoing major changes, offers exciting potential. In order to provide our customers with a complete range of frozen foods, the Beau Fruit Ltée subsidiary discontinued its fresh fruit and vegetable operations and concentrates exclusively on the distribution of frozen foods.

Antoine Turmel,
Chairman of the Board.

René Provost,
President.

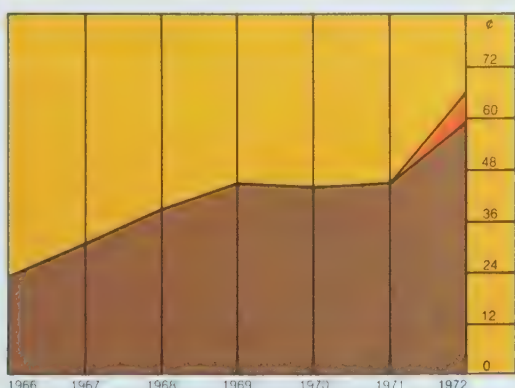
OUTLOOK

The financial results for the 1972 fiscal year, the accelerated rate of increase in sales and income of the last two quarters, allow an optimistic outlook for 1973. Constant efforts to promote the affiliated stores, the plans to develop the institutional and frozen food sectors and the expansion program for the AVA warehouse food markets should all contribute to higher sales. The disposal of unproductive assets, the operational reorganization, and the continuing refinement of budgets and control procedures should lead to increased profitability.

Montreal, April 24, 1972.

NET EARNINGS PER SHARE

Extraordinary Items
Income Before Extraordinary Items



Now that Provigo Inc. operates as a management and holding company, a reduction in the number of directors to 12 from 21 members has been proposed. Pursuant to this recommendation, we note with regret that the following directors have offered their withdrawal: Messrs. Pierre Bergeron, Jacques Couvrette, Dominik Dlouhy, Robert Lamontagne, J. P. W. Ostiguy, Ernest Provost, Marcel Robert, Guy Tremblay and George Vilim. We sincerely thank

Consolidated Balance Sheet

January 29, 1972

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
Assets		
Current:		
Cash and term deposits	\$ 3,254	\$ 2,256
Accounts receivable	5,997	6,398
Inventories, at the lower of cost and net realizable value	14,058	13,754
Short-term notes and mortgages receivable	215	337
Prepaid expenses and deposits	449	538
Total current assets	<u>23,973</u>	<u>23,283</u>
Investments:		
Long-term notes and mortgages receivable	895	512
Investments in associated companies and others, at cost	218	304
	<u>1,113</u>	<u>816</u>
Fixed (note 2):		
Land, buildings and equipment, at cost	15,674	15,081
Less accumulated depreciation	5,809	5,457
	<u>9,865</u>	<u>9,624</u>
Financing expenses and discount on long-term debt, balance to be amortized	339	173
Excess of cost of subsidiaries over value of their net tangible assets at dates of acquisition	3,429	3,416
	<u>\$38,719</u>	<u>\$37,312</u>

On behalf of the Board:

Antoine Turmel, Director

René Provost, Director

Liabilities	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
Current:		
Cheques issued and not paid	\$ 4,546	\$ 4,099
Bank loans	1,794	7,086
Accounts payable and accrued charges	7,256	6,368
Income and other taxes payable (note 6)	1,119	1,081
Dividends payable	186	—
Current instalments on long-term debt	<u>434</u>	<u>1,271</u>
Total current liabilities	<u>15,335</u>	<u>19,905</u>
Deferred income taxes	<u>169</u>	<u>268</u>
Long-term debt (note 3)	<u>8,838</u>	<u>4,420</u>
Shareholders' equity:		
Capital stock (note 4)		
Authorized:		
7,000,000 common shares without par value		
Issued and outstanding:		
3,730,872 shares (1971 – 3,726,322)	5,002	4,989
Retained earnings	<u>9,375</u>	<u>7,730</u>
	<u>14,377</u>	<u>12,719</u>
Commitments (note 5)		
	<u>\$38,719</u>	<u>\$37,312</u>

(See accompanying notes to financial statements)

Consolidated Statement of Retained Earnings

Year Ended January 29, 1972

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
Balance at beginning of year:		
As previously reported	\$ 7,800	\$ 6,721
Adjustment of prior years' income taxes (note 6)	<u>70</u>	<u>70</u>
As restated	7,730	6,651
Add net income for the year	<u>2,464</u>	<u>1,675</u>
	<u>10,194</u>	<u>8,326</u>
Deduct:		
Dividends declared and paid during the year	633	596
Dividends declared and payable during the following year	<u>186</u>	<u>—</u>
	<u>819</u>	<u>596</u>
Balance at end of year	<u>\$ 9,375</u>	<u>\$ 7,730</u>

Consolidated Statement of Income

Year Ended January 29, 1972

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
Net sales	\$222,558	\$209,035
Cost of sales and operating expenses (after deducting interest earned — \$148,000 in 1972, and \$205,000 in 1971)	<u>216,128</u>	<u>203,426</u>
Income before the undernoted deductions	<u>6,430</u>	<u>5,609</u>
Deductions:		
Depreciation (note 2)	868	864
Interest and amortization of financing expenses and discount on long-term debt	637	411
Other interest	<u>306</u>	<u>684</u>
	<u>1,811</u>	<u>1,959</u>
Income before income taxes and extraordinary items	4,619	3,650
Income taxes	<u>2,417</u>	<u>1,975</u>
Income for the year before extraordinary items	2,202	1,675
Extraordinary items (note 7)	<u>262</u>	<u>—</u>
Net income for the year	<u>\$ 2,464</u>	<u>\$ 1,675</u>
Earnings per share:		
Before extraordinary items	<u>\$0.59</u>	<u>\$0.45</u>
After extraordinary items	<u>\$0.66</u>	<u>\$0.45</u>

Consolidated Statement of Source and Application of Funds

Year Ended January 29, 1972

	1972	1971
	(thousands of dollars)	
Source of funds:		
Net income for the year	\$2,464	\$1,675
Depreciation	868	864
Amortization of financing expenses and discount on long-term debt	35	36
Funds from operations	<u>3,367</u>	<u>2,575</u>
Increase (decrease) of long-term debt	4,418	(1,033)
Sale of fixed assets	551	73
Refund of 5% special tax	—	36
Issue of shares	13	7
	<u>8,349</u>	<u>1,658</u>
Application of funds:		
Purchase of fixed assets	1,660	1,337
Increase (decrease) in investments	297	(313)
Financing expenses and discount on long-term debt	201	—
Increase in excess of cost of subsidiaries	13	269
Decrease in deferred income taxes	99	2
Adjustment of prior years' income taxes	—	70
Dividends	819	596
	<u>3,089</u>	<u>1,961</u>
Net increase (decrease)	5,260	(303)
Working capital at beginning of year	3,378	3,681
Working capital at end of year	<u>\$8,638</u>	<u>\$3,378</u>

(See accompanying notes to financial statements)

Auditors' Report

To the Shareholders of Provigo Inc.:

We have examined the consolidated balance sheet of Provigo Inc. and its subsidiaries as at January 29, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended, and have obtained all the information and explanations we have required. Our examination of the financial statements of Provigo Inc., and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at January 29, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
March 20, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

Notes to Consolidated Financial Statements

January 29, 1972

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The results of operations of a subsidiary acquired during the year are included in the consolidated

statement of income from the date of acquisition. Conversely the results of operations of a subsidiary sold during the year are included to date of sale.

2. Fixed assets

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value 1972</u>	<u>Net book value 1971</u>
		(thousands of dollars)		
Land	\$ 1,864	\$ —	\$1,864	\$1,586
Buildings	7,036	1,675	5,361	5,255
Equipment	6,774	4,134	2,640	2,783
	<u>\$15,674</u>	<u>\$5,809</u>	<u>\$9,865</u>	<u>\$9,624</u>

The companies follow the policy of depreciating their fixed assets in accordance with the straight-line method at the rates of 2½ % and 5 % for buildings and of 10 % and 12½ % for equipment,

except for automotive equipment, which is depreciated at the rate of 30 % in accordance with the diminishing balance method.

3. Long-term debt

Provigo Inc.

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
6 % Sinking fund debentures, series A, maturing January 15, 1985, redeemable \$30,000 each year	\$ 790	\$ 820
8¼ % Serial debentures, maturing July 15, 1981, redeemable \$375,000 each year from 1974 to 1981	3,000	—
9½ % Sinking fund debentures, series B, maturing July 15, 1991, redeemable \$160,000 each year from 1982	2,000	—
6½ % First mortgage sinking fund bonds	—	281
6 % General mortgage serial bonds	—	27

Provigo (Sherbrooke) Inc.

6½ % Sinking fund debentures, series A, maturing November 1, 1976, redeemable \$50,000 each year	678	750
6¾ % First mortgage sinking fund bonds	—	256

Provigo (Saguenay) Ltée

6¼ % Sinking fund debentures, series A, maturing March 15, 1980, redeemable \$51,000 each year	982	1,121
6½ % First mortgage sinking fund bonds, series A	—	189

Other long-term debt

Notes, mortgages and other long-term debt, varying maturity dates until 1992 of which \$1,435,000 are guaranteed (\$1,530,000 in 1971)	1,822	2,247
	<u>9,272</u>	<u>5,691</u>
Less portion shown in current liabilities	434	1,271
	<u>\$8,838</u>	<u>\$4,420</u>

Annual instalments (in thousands of dollars) on long-term debt due in each of the five years following January 29, 1972 are:

1973 – \$434; 1974 – \$452;
1975 – \$788; 1976 – \$707; 1977 – \$659.

4. Capital stock

During the year the Company issued 4,550 shares for a cash consideration of \$12,305 as a result of warrants and options being exercised.

As at January 29, 1972 the Company had reserved 139,050 shares for issuance under the following options granted to key employees:

<u>Number of shares</u>	<u>Price</u>	<u>Exercisable to</u>
7,800	\$5.00	October 1, 1973
20,000	9.12	July 9, 1972
26,250	8.31	January 8, 1974
85,000	9.37 (min.)	June 27, 1974
<u>139,050</u>		

5. Commitments

The basic annual rental under long-term leases maturing more than three years after January 29, 1972 aggregates \$669,000 of which \$599,000 relates to immovable

properties and \$70,000 to equipment. At January 29, 1972 certain companies had guaranteed different loans aggregating \$284,000.

6. Income taxes

During the year the Company adjusted its income taxes prior to 1971 for an amount of \$70,000 giving effect to assessments to be issued by the taxation authorities.

Accordingly, the balance of retained earnings at January 31, 1970 and income and other taxes payable at January 31, 1971 have been restated.

7. Extraordinary items

Gain on sale of a subsidiary	\$200,000
Recovery of income taxes as a result of the carry-forward of losses of prior years of a subsidiary	62,000
	<u>\$262,000</u>

8. Remuneration of senior officials

The total remuneration paid in 1972 by the Company and its subsidiaries to the Com-

pany's directors and senior officers amounts to \$386,000.

Statistical Review 1966-1972

Operating Results (in thousands of dollars)	1972	1971	1970 ⁽³⁾	1969 ⁽⁴⁾	1968 ⁽⁵⁾	1967	1966
Sales	\$222,558	\$209,035	\$202,366	\$182,230	\$155,860	\$131,157	\$120,363
Income before depreciation, income taxes and extraordinary items	5,487	4,514	4,212	4,085	3,520	2,808	2,072
Depreciation	868	864	685	606	602	560	525
Income taxes	2,417	1,975	1,888	1,842	1,528	1,144	754
Income before extraordinary items	2,202	1,675	1,639	1,637	1,390	1,104	793
Extraordinary items	262	—	—	—	—	—	—
Net income	2,464	1,675	1,639	1,637	1,390	1,104	793
Total dividends paid	633 ⁽¹⁾	596	548	511	453	387	368
Financial Position (in thousands of dollars)							
Working capital	\$ 8,638	\$ 3,378 ⁽²⁾	\$ 3,681	\$ 4,339	\$ 4,344	\$ 4,482	\$ 3,715
Fixed assets (Net)	9,865	9,624	9,224	7,877	7,342	6,964	7,127
Total assets	38,719	37,312	37,940	34,909	28,108	26,594	23,185
Long-term debt	8,838	4,420	5,453	5,622	5,647	6,184	6,004
Shareholders' equity	14,377	12,719 ⁽²⁾	11,703	10,598	8,886	7,954	7,208
Performance							
Net income per share							
Before extraordinary items	59¢	45¢	44¢	45¢	39¢	31¢	23¢
After extraordinary items	66¢	45¢	44¢	45¢	39¢	31¢	23¢
Dividends per share	17¢	16¢	16¢	14¢	12.8¢	10.9¢	10.5¢
Return on average shareholders' equity							
Before extraordinary items	16.3%	13.7%	14.7%	16.8%	16.5%	14.6%	11.0%
After extraordinary items	18.2%	13.7%	14.7%	16.8%	16.5%	14.6%	11.0%
Shares Outstanding at year end (in thousands)	3,731	3,726	3,722	3,652	3,550	3,537	3,507

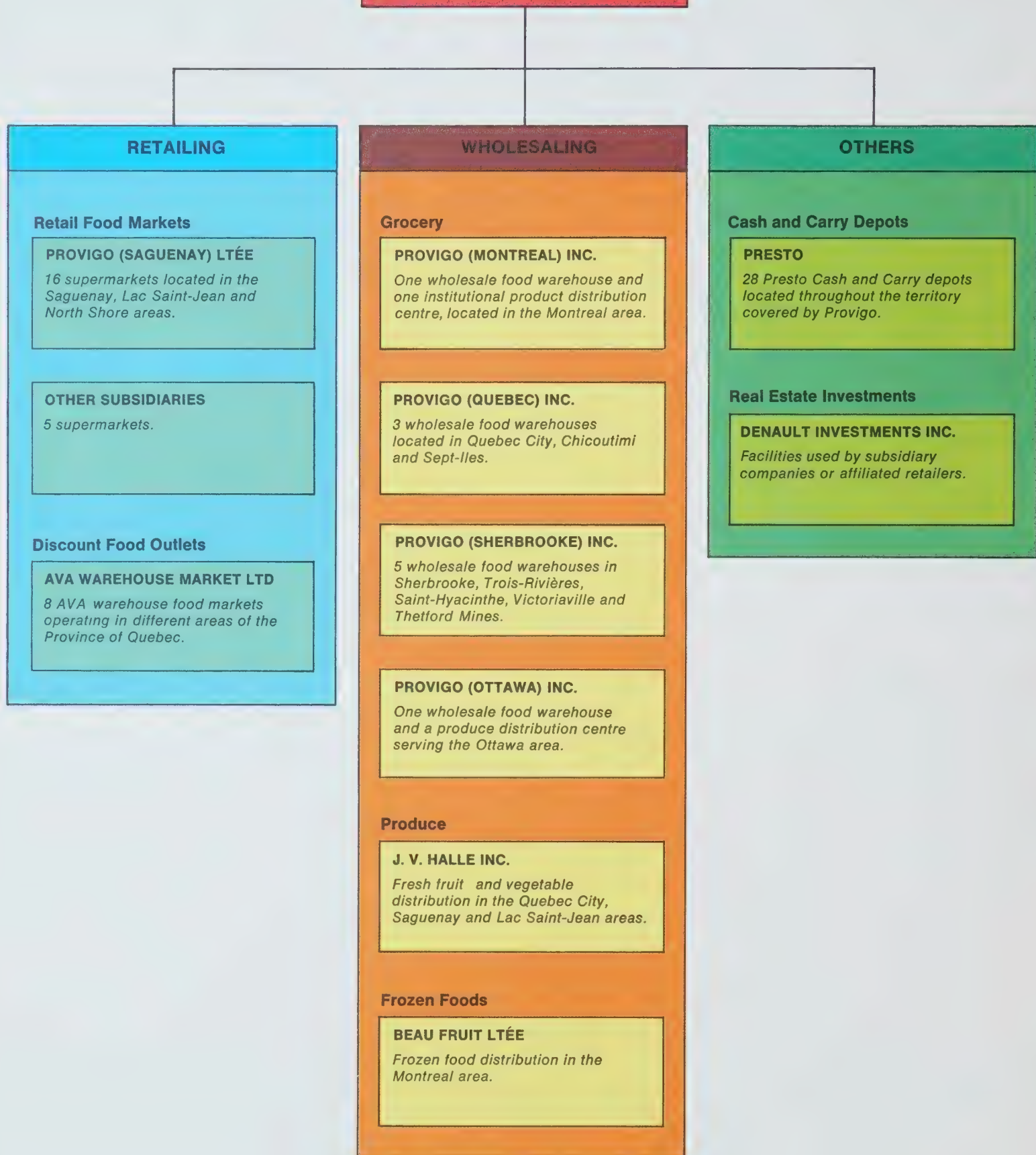
(1) The dividends for 1972 exclude a dividend declared and payable during the following fiscal year amounting to \$186,000.

(2) See note (6) to the Consolidated Financial Statements for the year ended January 29, 1972.

(3) The operating results for the year 1970 are based on the unaudited financial statements for the 52 week period ended January 31, 1970.

(4) The financial years 1966-1969 are the results combining the respective financial years of Provigo Inc., Provigo (Sherbrooke) Inc. and Provigo (Saguenay) Ltée, formerly Couvrette & Provost Ltée, Denault Limitée and Lamontagne Limitée.

(5) The results of 1968 covers 53 weeks for Provigo Inc. and Provigo (Sherbrooke) Inc.



INTERIM REPORT

for the 28-week period ended
August 15th 1970
(February 1st to August 15th 1970)



provigo

PROVIGO INC.

(FORMERLY COUVRETTE & PROVOST LTÉE)
611 du Marché Central St. — Montreal 355

CONSOLIDATED INTERIM REPORT

for the 28-week period ended

August 15th 1970

(February 1st to August 15th 1970)

TO OUR SHAREHOLDERS:

This is the first consolidated report to be issued under the new corporate name. Since September 14th 1970, the affairs of the former Couvrette & Provost Ltée, have been carried out under the new corporate name of PROVIGO INC. It is our pleasure to submit on behalf of our Board of Directors the results for the first 28 weeks of the current fiscal year. The results for this period indicate progress over the corresponding period of last year. Sales have increased from \$110,729,000. to **\$115,112,000.** equal to an increase of 4%, while the profits before depreciation and income taxes have increased by 7.6% to **\$2,560,000.** The depreciation rates have been standardized throughout the Provigo organization and as a result this item shows a sharp increase. The net profit has increased by approximately 3%, from \$968,000. to **\$993,000.** The consolidated statement of earnings (in the center pages) gives further information on this score. The net profit ratio per \$100.00 of sales has improved, reaching \$0.86 for the 28-week period in comparison to \$0.82 for the first 12-week period of the current fiscal year. This is very significant and your Board of Directors is confident that this trend will continue.

During the period under review, here are the most important events that have taken place:

- opening of a new "Cash & Carry" outlet in Baie Comeau;
- implementation for some of our affiliated customers of a new aggressive and promising merchandising program; a more flexible, and personalized merchandising formula has been conceived and will be made available to our retail affiliates in early November;
- the construction of two new A.V.A. warehouse markets (Aux Vraies Aubaines — discount food market) located in Joliette and Valleyfield and which shall be inaugurated respectively at the end of October and at the end of November;
- the initial marketing of private label items under the "PROVIGO" label. (some of these are illustrated on the enclosed sheet.)
- the purchase of BEAU FRUIT LTÉE in Montreal, (wholesaling business in frozen foods and fresh fruits and vegetables) is within the expansion program of the company.

In spite of the present acute competition at retail levels, we are particularly satisfied with these results and progress of your company. PROVIGO INC. and its subsidiaries have maintained their share of the market in all regions. Integration is being carried out more rapidly than anticipated. It appears both interesting and beneficial.

New merchandising formulas are being developed. They are expected to be progressive, personalized and profitable for our retailers and affiliated members. Work is also in progress towards the development of corporate owned retail outlets. Both of these endeavors are becoming more and more necessary and should be beneficial to the retailers and the wholesaler. The current year final results should follow the trend of the results and progress so far achieved.

We wish in closing, to pass on to, our customers, employees, officers, shareholders and suppliers, the board's best regards and thanks.

PROVIGO INC.

ANTOINE TURMEL
Chairman of the Board

RENÉ PROVOST
President

Montreal, October 15th 1970.

CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

	1970 28 WEEKS ENDED AUGUST 15	1969 28 WEEKS ENDED AUGUST 16	INCREASE %
Sales	\$115,112,000	\$110,729,000	4.0
Earnings before depreciation and income taxes	2,560,000	2,379,000	7.6
Depreciation	427,000	324,000	31.8
Income Taxes	1,140,000	1,087,000	4.9
Net earnings	993,000	968,000	2.6
Net earnings per \$100. of sales	86¢	87¢	(1.1)
Net earnings per share	26.6¢	26.4¢	0.8
Outstanding shares	3,726,178	3,664,506	1.7

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1970 28 WEEKS ENDED AUGUST 15
SOURCE OF FUNDS	
Operations	
Net earnings	\$ 993,000
Depreciation	427,000
Amortization of financing expenses and discount on long term debt	21,000
	<u>\$1,441,000</u>
Other	
Decrease in loans and mortgages receivable	90,000
Refund of 5% special tax	36,000
Increase in deferred income taxes	6,000
Increase in cash surrender value — life insurance	1,000
Decrease in advances to associated companies	17,000
Issue of common shares	7,000
	<u>\$1,598,000</u>
APPLICATION OF FUNDS	
Purchase of fixed assets less disposals	632,000
Increase in excess of cost of subsidiaries	265,000
Net reduction of long term debt	464,000
Dividends declared	446,000
Income taxes of prior years	3,000
Organization expenses	4,000
Increase in deferred costs	18,000
	<u>\$1,832,000</u>
DECREASE IN WORKING CAPITAL	(\$ 234,000)
WORKING CAPITAL AT BEGINNING OF YEAR	\$3,727,000
WORKING CAPITAL — AUGUST 15, 1970	<u>\$3,493,000</u>

NOTE: The comparative Statement of Source and Application of Funds for the period ended August 16, 1969 has been omitted. The fiscal periods of Couvrette & Provost Ltée, Denault Limitée and Lamontagne Limitée were not identical and it was impractical to consolidate the figures for such a Statement.

(avant vérification)

1970	1969	AUGMENTATION
28 SEMAINES TERMINEES LE 15 AOÛT	28 SEMAINES TERMINEES LE 16 AOÛT	%
\$115,112,000	\$110,729,000	4.0
2,560,000	2,379,000	7.6
427,000	324,000	31.8
1,140,000	1,087,000	4.9
933,000	968,000	2.6
86¢	87¢	(1.1)
26.6¢	26.4¢	0.8
3,726,178	3,664,506	1.7

ETAT CONSOLIDÉ DE LA PROVENANCE ET DE L'UTILISATION DES FONDS

PROVENANCE DES FONDS		1970	
Opérations		28 SEMAINES	
Bénéfice net de la période		LE 15 AOÛT	
Amortissement des immobilisations		TERMINÉES	
Amortissement des frais de financement et de l'escompte sur dettes à long terme		1970	
\$ 993,000			
427,000			
21,000			
\$1,441,000			
90,000			
36,000			
6,000			
1,000			
17,000			
7,000			
\$1,598,000			
Diminution des billets et hypothèques à recevoir			
Remboursement d'impôt spécial 5%			
Augmentation des impôts différés sur le revenu			
Augmentation valeur de rachat — assurance-vie			
Diminution des avances à des compagnies associées			
Emission d'actions ordinaires			
UTILISATION DES FONDS			
Achat d'immobilisations moins les dispositions			
Augmentation de l'achalandage			
Diminution nette de la dette à long terme			
Dividendes déclarés			
Impôts sur le revenu des exercices antérieurs			
Frais d'incorporation			
Augmentation des frais reportés			
DIMINUTION DU FONDS DE ROULEMENT			
FONDS DE ROULEMENT AU DÉBUT DE L'EXERCICE			
FONDS DE ROULEMENT AU 15 AOÛT 1970			
\$3,493,000			
\$3,727,000			
(\$ 234,000)			
\$1,832,000			
18,000			
4,000			
3,000			
446,000			
464,000			
265,000			
632,000			

NOTE: Il est impossible de produire l'état comparatif consolidé de la provenance et de l'utilisation des fonds pour la période terminée le 15 août 1969, car les exercices financiers de trois compagnies, Couverture & Provost Ltée, Denault Limitée et Lamontagne Limitée n'étaient pas identiques à cette date.

RAPPORT INTÉRIMAIRE

pour la période de 28 semaines
terminée le 15 août 1970
(1er février au 15 août 1970)

AR36



provigo

PROVIGO INC.

(AUTREFOIS COUVRETTE & PROVOST LTÉE)
611 rue du Marché Central - Montréal 355

Handwritten signature

ANTOINETTE TURMEL
Président du Conseil
d'administration
Montréal, 15 octobre 1970.

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RENÉ PROVOST
Président

Handwritten signature

PROVIGO INC.

RAPPORT INTÉRIMAIRE CONSOLIDÉ
pour la période de 28 semaines
terminée le 15 août 1970
(1er février au 15 août 1970)

A NOS ACTIONNAIRES,

Ce rapport est le premier à être publié sous la nouvelle
raison sociale de votre compagnie PROVIGO INC. En effet,

depuis le 14 septembre dernier, les affaires de Couvrette
et Provost Ltée s'effectuent ou se transigent sous le nouveau
nom corporatif PROVIGO INC. Nous vous transmettons, avec
plaisir, au nom du conseil d'administration les résultats des

28 premières semaines de l'année financière en cours.
Les résultats de cette période indiquent des progrès sur la
période correspondante de l'an dernier. Les ventes ont passées
de \$110,729,000. à \$115,112,000. soit une augmentation de 4%
et les bénéfices avant impôt et amortissement de \$2,379,000. à
\$2,560,000. pour un gain de 7.6%. La normalisation des taux
d'amortissement, à travers le groupe Provigo, s'est traduite par
une augmentation sensible à ce poste. Le bénéfice net a
augmenté de près de 3% passant de \$968,000. à \$993,000. Les
tableaux ci-joints contiennent des renseignements additionnels.
Vos administrateurs constatent que le rapport bénéfice net
par \$100.00 de ventes est passé de \$0.82 pour les 12 premières
semaines à \$0.86 pour la période de 28 semaines terminée
le 15 août 1970. Ceci est significatif et nous croyons que cette
tendance va se poursuivre.
Les événements ou étapes de progrès ci-après mentionnés se
sont déroulés durant cette période :

- ouverture d'un "Cash & Carry" Presto à Bate Comeau
- implantation pour des membres affiliés d'une formule de
merchandising agressive et prometteuse; une autre
formule plus flexible et plus personnalisée a été conçue
et sera mise à la portée des détaillants affiliés au début
de novembre
- la construction de deux marchés d'entrepôts A. V. A.
(Aux Vraies Aubaines) l'un à Joliette et l'autre à
Valleyfield qui seront inaugurés respectivement fin
d'octobre et fin novembre
- la mise en marché des premiers produits sous marque
privée Provigo (une feuille annexée en illustre
quelques-uns)
- l'acquisition de Beau Fruit Ltée à Montréal (grossoise en
produits congelés et en fruits et légumes) cadre dans le
programme d'expansion de la compagnie.

Dans le contexte de la compétition actuelle, très vive, nous
sommes satisfaits des résultats obtenus et des progrès
accomplis. En effet, Provigo Inc. et ses filiales ont maintenu leur
part du marché dans toutes les régions desservies; l'intégration
se poursuit à un rythme plus rapide que prévu et se révèle
intéressante et bénéfique; un travail s'effectue en parallèle
pour l'élaboration de formules à la fois progressives, person-
nalisées et profitables pour les détaillants et membres affiliés
ainsi que le développement de magasins corporatifs. Ces
projets sont de plus en plus compatibles et bénéfiques pour
les deux parties : le détaillant et le grossiste.
Les résultats pour l'année en cours devraient suivre le rythme
des résultats et progrès ci-haut énumérés.
Nous transmettons les hommages et la reconnaissance du
conseil d'administration à : nos clients, employés, officiers,
actionnaires, fournisseurs.